

DEPARTMENT OF PUBLIC SAFETY REPORT

MEMORANDUM

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State of Alaska
Department of Public Safety

To: John Kerrigan
State Pipeline Coordinator
Department of Natural Resources

Date: December 7, 2001

File No:

Telephone Number: 269-5461

From: Kelly Nicole!
Assistant: State Fire Marshal
Division of Fire Prevention

FAX Number: 336-4375
Budget Information
on Renewal of North
Slope Pipeline AS
38.35 Right-of-Way
Leases

In your memorandum dated November 26, 2001, you requested that the Alaska Department of Public Safety Division of Fire Prevention (DPS) provide budget estimates to complete four tasks associated with renewal of five North Slope AS 38.35 pipeline right-of-way leases. The five pipelines are the Kuparuk (ADL 402294), Kuparuk Extension (ADL 409027), Oliktok (ADL 411731), Milne (ADL 410221), and Endicott (ADL 410562). The four tasks essentially require DPS to compile available data on each pipeline to assess whether the lessee is in compliance with state laws and regulations. A report for each pipeline is to be completed by DPS and submitted to the State Pipeline Office by May 3, 2002.

Since we don't inspect piping and the production facilities are not part of the renewal process we have no records of violation, investigation or noncompliance with state laws and regulations to report or budget for.

If you have any questions please don't hesitate to contact me at 269-5491.

KTN/ktn

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT REPORT

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**DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT**

**DIVISION OF LABOR STANDARDS & SAFETY
OFFICE OF THE DIRECTOR**

TONY KNOWLES, GOVERNOR

P.O. Box 107021

Anchorage, Alaska 99510-7021

Phone: (907) 269-4919

Fax: (907) 269-4992

January 17, 2002

John Kerrigan

State Pipeline Coordinator
Department of Natural Resources
411 W. 4th Ave., 2nd Floor
Anchorage, AK 99501-2343

Dear Mr. Kerrigan:

RE: Memo 010087-MC, November 26, 2001

We will not require a budget to provide the information you requested for the renewal of North Slope pipelines.

The Department of Labor and Workforce Development does not have any civil proceedings, criminal proceedings, notice of violations, compliance orders, or instances of noncompliance issues with any of the North Slope pipelines mentioned in your memo. We do not conduct inspections of pipelines once they are constructed and do not issue any permits related to pipeline operations.

Please direct any questions or responses regarding this matter to the department for evaluation.

Sincerely,



Richard A. Martin
Director
Labor Standards & Safety

cc: Ed Flanagan, Commissioner
Tom Stuart, Chief, OSH
Ray Elleven, Inspector, JPO

Director\2002 jan\kerrigan.ltr

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DEPARTMENT OF REVENUE REPORT

Alaska Department of Revenue
Tax Division
Compliance Report to State Pipeline Coordinators Office
Oliktok Pipeline
Oliktok Pipeline Company (ADL 411731) and Owner Company
February 2002

Background and Summary

As a prerequisite to the renewal of the right-of-way lease for the Oliktok Pipeline, the State Pipeline Coordinator's Office requests a report addressing tax compliance by the lessee with the tax laws administered by the Department of Revenue Tax Division. The lessee, Oliktok Pipeline Company is a subsidiary of Phillips Petroleum Company ("owner company"). This report explains the tax compliance requirements for the lessee and its owner company including the audit and appeal process.

AS 43.05.230 makes it unlawful to disclose the particulars contained in a tax return or report. While AS 43.05.230 prohibits the disclosure of tax particulars, this report concludes that there are no tax compliance matters that should adversely affect the Oliktok Pipeline lease renewal.

Tax Compliance

There are three Alaska taxes types that apply to pipeline operations: the Alaska Corporate Net Income Tax, the Alaska Motor Fuel Tax and the Alaska Oil and Gas Property Tax. Each of these taxes has compliance requirements as summarized below. **In this context, full compliance with tax laws does not mean that the State is in agreement that all taxes, interest and/or penalties owed have been paid. Taxpayers are entitled to dispute tax and penalty assessments, and the exercise of their appeal rights does not constitute non-compliance with tax laws.**

Corporate Income Tax

AS 43.20.030 requires corporations to file returns and pay tax within 30 days of the filing of the federal corporate income tax return. The owner company and its affiliates have a significant economic presence in Alaska and incur a relatively large Alaska corporate income tax liability. The owner company and the rest of the oil industry in Alaska receive a significant portion of available audit resources. The audits deal with complex tax accounting and legal issues, and may result in multi-million dollar assessments for additional tax. It is common for oil and gas taxpayers to exercise their rights to appeal under AS 43.05, and there may be audits currently at various stages in the appeals process. These appeals and the underlying disagreements about tax issues do not constitute non-compliance. **With the understanding set out in paragraph titled Tax Compliance, Oliktok Pipeline Company and its owner company is in full compliance with the corporate income tax requirements of AS 43.20.**

Motor Fuel Tax

AS 43.65 requires motor fuel tax returns be filed and tax paid by the last day of the month succeeding sale or use. **With the understanding set out in the paragraph titled Tax Compliance, the Oliktok Pipeline Company and its owner company is in full compliance with motor fuel tax requirements of AS 43.65.**

Property Tax

AS 43.56 levies an ad valorem tax on oil and gas property. Taxpayers routinely exercise their appeal rights in determining the correct tax liability. These appeals do not constitute non-compliance. **With the understanding set out in the paragraph titled Tax Compliance, Oliktok Pipeline Company and its owner company is in full compliance with the ad valorem tax requirements of AS 43.56.**

Appendix A: Relevant Statutes

Term of Lease and Tax Information Confidentiality:

The statutes relevant to this report follow:

AS 38.35.110. TERM OF LEASE. Each lease of state land for pipeline right-of-way purposes must contain a provision that the lease shall run for specified term of not greater than 30 years, and shall be renewable for additional periods of up to 10 years each, so long as the lessee is in commercial operation and is in full compliance with all state law, including but not limited to state law pertaining to regulation and taxation of the pipeline facility, and is in compliance with all terms of the lease. In making this determination the commissioner shall take into consideration the cost of the proposed pipeline, its useful life, and the probable financing requirement for the proposed pipeline.

AS 43.05.230. DISCLOSURE OF TAX RETURNS AND REPORTS.

(a) It is unlawful for a current or former officer, employee, or agent of the state to divulge the amount of income or the particulars set out or disclosed in a report or return made under this title, except

(1) in connection with official investigations or proceedings of the department, whether judicial or administrative, involving taxes due under this title;

(2) in connection with official investigations or proceedings of the child support enforcement agency, whether judicial or administrative, involving child support obligations imposed or impossible under AS 25 or AS 47;

(3) as provided in AS 38.05.036 pertaining to audit functions; and

(4) as otherwise provided in this section.

(b) The department, upon written request, shall furnish to the taxpayer a copy of the taxpayer's tax return upon payment of a fee of \$1 per page.

(c) The department may permit the proper officer of the United States or of a state, territory or possession of the United States or of Canada or of a province or territory of Canada, or the officer's authorized representative, to inspect tax returns or reports filed with the department, or may furnish to the officer or representative a copy of the tax return, if the other jurisdiction grants substantially similar privileges to the department or its representative or to counsel for the state, and if the department determines that the other jurisdiction provides adequate safeguards for the confidentiality of the returns and reports, and that the returns and reports will be used for tax purposes only. The department may also permit the employment security division of the state Department of Labor to inspect tax returns or reports filed with the department or may furnish a copy of the tax returns for tax purposes only.

(d) The commissioner may furnish to the Multistate Tax Commission or other authorized agent information contained in the tax returns, reports, related schedules and documents filed under an audit or investigation of a multistate business made by the department. This information may be furnished for tax purposes only. The Multistate Tax Commission or other authorized agent may make the information available to the tax officials of other states, the District of Columbia, and the United States and its territories for tax purposes only.

(e) Nothing in this section prohibits the publication of statistics so classified as to prevent the identification of particular returns or reports or the publication of delinquent lists showing the names of taxpayers who have failed to pay their taxes at the time and in the manner provided by law, together with other relevant information which in the opinion of the department may assist in the collection of delinquent taxes.

(f) A wilful violation of the provisions of this section is punishable by a fine of not more than \$5,000, or by imprisonment for not more than two years, or by both.

(g) The information contained in a license issued by the commissioner of revenue or the commissioner of commerce and economic development under AS 43.50, AS 43.60, AS 43.65, AS 43.70, and AS 43.75 is public information.

(h) The commissioner shall, upon request, furnish to the Department of Natural Resources copies of tax returns, reports, documents filed under AS 43.65, and the Department of Revenue's determinations and workpapers. The Department of Natural Resources shall maintain the confidentiality that the Department of Revenue is required to extend to the returns, reports, documents, determinations, and workpapers furnished to the Department of Natural Resources under this subsection.

Audit

AS 43.05.040 gives the Department of Revenue the authority to audit:

AS 43.05.040. INSPECTION OF RECORDS OR PREMISES AND ISSUANCE OF SUBPOENAS.

(a) The department may examine the books, papers, records, or memoranda of any person to ascertain the correctness of a return filed or to determine whether a tax or a payment for oil or gas royalty or net profits shares under a contract, agreement, or lease under AS 38.05 is due, or in an investigation or inspection in connection with tax matters or matters relating to oil and gas royalty or net profits under contracts, agreements, or leases under AS 38.05. The records and the premises where a business is conducted shall be open at all reasonable times for official inspection, and the department may subpoena any person to appear and produce books, records, papers, or memoranda bearing upon tax matters or matters relating to oil and gas royalty or net profits under contracts, agreements, or leases under AS 38.05, and to give testimony or answer interrogatories under oath respecting tax matters or matters related to oil and gas royalty or net profits under contracts, agreements, or leases under AS 38.05, and the department may administer oaths to persons who are so subpoenaed. A subpoena issued under this section may compel attendance of a witness or production of a document or thing, located either inside or outside the state, to the maximum extent permitted by law.

(b) A subpoena may be served by the commissioner of public safety or a peace officer designated by the commissioner of public safety, by a person designated by the Department of Revenue, or as otherwise provided by law. A subpoena may also be served by registered or certified mail for delivery restricted only to the person subpoenaed. The return delivery receipt must be addressed so that the receipt is returned to the department.

(c) If a person who is subpoenaed neglects or refuses to obey the subpoena issued as provided in this section, the department may report the fact to the superior court or the appropriate court of another jurisdiction, and may seek an order from the court compelling obedience to the subpoena.

The court, to the maximum extent permitted by law, may compel obedience to the subpoena to the same extent as witnesses may be compelled to obey the subpoenas of the court.

AS 43.05.245 gives the department the authority to assess additional tax and AS 43.05.010 gives the commissioner of revenue the authority to request the attorney general to enforce collection of an assessment.

AS 43.05.245. ASSESSMENT AND COLLECTION OF TAX, PENALTIES, AND INTEREST.

If a taxpayer fails to file a return or report required by this title in the time required by law or regulation, or makes an erroneous or fraudulent return, the department shall proceed to assess the license fees, tax, penalties, or interest and make a return from information that it obtains. An assessment or a return subscribed by the department in accordance with this section is presumed sufficient for all legal purposes. However, nothing prevents a taxpayer from presenting evidence or other information in an informal conference under AS 43.05.240 or in an appeal under AS 43.05.241 in order to rebut the presumed sufficiency of an assessment or return subscribed by the department, nor does the presumption of sufficiency alter the parties' respective burdens of proof once the taxpayer has presented evidence or other material information to rebut that presumption. The assessment of license fees, tax, penalties, or interest under this section occurs when the department issues a notice and demand for payment of the license fees, tax, penalties, or interest. The notice and demand for payment is issued when the notice and demand is delivered to the taxpayer in person or placed in the United States mail, addressed to the last known address of the taxpayer. Penalties and interest assessed under this title shall be collected in the same manner as provided in this title for the collection of tax or license fees.

AS 43.05.010. DUTIES OF COMMISSIONER.

The commissioner of revenue shall

(13) call upon the attorney general to institute actions for recovery of unpaid taxes, fees, excises, additions to tax, penalties, and interest;

(14) issue warrants for the collection of unpaid tax penalties and interest and take all steps necessary and proper to enforce full and complete compliance with the tax, license, excise, and other revenue laws of the state;

Taxpayer Appeals

AS 43.05.240, AS 43.05.241 and AS 43.05.242 give taxpayers the right to appeal the actions of the department.

AS 43.05.240. TAXPAYER REMEDIES.

(a) A taxpayer aggrieved by the action of the department in fixing the amount of a tax or penalty may apply to the department within 60 days after the date of mailing of the notice required to be given to the taxpayer by the department, giving notice of the grievance, and requesting an informal conference to be scheduled with an appeals officer. The taxpayer shall be given access to the taxpayer's file in the department in the matter for preparation for the informal conference. At the informal conference, the taxpayer may present to the appeals officer arguments and evidence relevant to the amount of tax or penalty due the state. If the department determines that a correction is warranted, the department shall make the correction.

(b) A party who believes that the appeals officer is unduly delaying a hearing process may notify the commissioner in writing. Within 30 days after being notified by a party, the

commissioner may issue an order prescribing a schedule for the appeals officer to complete the informal conference or setting a meeting at which that schedule will be discussed and prescribed. The schedule may be subsequently modified by consent of the parties. If the commissioner fails to issue an order within 30 days after receiving notice of a party's belief of undue delay, the department's action in fixing the amount of tax or penalty shall be considered to have been summarily affirmed by the appeals officer the same as if an informal conference decision to that effect were issued on the last day of that 30-day period.

AS 43.05.241. ADMINISTRATIVE APPEAL.

For a matter within the jurisdiction of the office of tax appeals under AS 43.05.405 , the taxpayer aggrieved by an informal conference decision entered under AS 43.05.240 may file with the office of tax appeals a notice of appeal for formal hearing, as provided in AS 43.05.430 , no later than 30 days after service of the decision resulting from an informal conference.

AS 43.05.242. JUDICIAL APPEAL CHALLENGING VALIDITY OF TAX.

(a) Within 30 days after a decision resulting from the informal conference, a person aggrieved by the action of the department under AS 43.05.240 on a ground specified in this section may appeal to the superior court.

(b) An appeal under this section may be taken from an informal conference decision only with respect to an issue in the assessment for tax, interest, and penalties that the taxpayer raises upon the ground that a tax statute or tax regulation is

- (1) violative of the United States Constitution;
- (2) violative of the state constitution; or
- (3) preempted by federal statute, regulation, or treaty.

(c) An appeal of an issue under this section may not be taken from an informal conference decision if

- (1) there is a dispute of material fact;
- (2) a factual record is necessary to decide the question of law raised;
- (3) development of a factual record will render it unnecessary to reach the question of law raised; or
- (4) the taxpayer challenges the assessment of the tax related to the issue on a ground other than one listed in (b) of this section.

(d) An issue may not be presented to the superior court unless the issue first has been presented in writing to the department at or before the informal conference. The department shall prepare a record of that portion of the informal conference relevant to the issue on appeal. The superior court shall

- (1) resolve a question of law in the exercise of the independent judgment of the superior court judge;
- (2) defer to the department on a question of law for which discretion is legally vested in the department unless not supported by a reasonable basis.

(e) An appeal of the informal conference decision under this section is exclusive as to the issue raised. The taxpayer electing to appeal under this section may not pursue an appeal of the issue under AS 43.05.241 or pursue any other action under another statute on the issue.

(f) When an appeal is taken under this section, the taxpayer shall be given access to the file of the department in the matter for preparation of the appeal.

(g) In an appeal under this section, the amount due shall be paid within 30 days after the date of the service of the informal conference decision. In place of payment of the amount due, the taxpayer may file a bond with the court or otherwise obtain relief from payment in accordance with the Alaska Rules of Appellate Procedure.

(h) Venue for an appeal filed under this section shall be set under rules adopted by the supreme court.

(i) If it is determined that appeal was improperly filed under this section, the appeal shall be transferred to the office of tax appeals for further proceedings under AS 43.05.400 - 43.05.499.

DEPARTMENT OF LAW REPORT

From: Philip Reeves

To: jkerriga@jpo.doi.gov Date: 1/4/02 10:48AM Subject: Budget information on pipeline renewals

John -- After a clarifying discussion with Julie Murrell, I believe that my appropriate response to your November 26 budget information request is that the Department of Law has no documentation or information regarding the five (5) north slope pipelines' compliance with laws and regulations that would not be contained in the files of the individual regulatory agencies. That is, DOL is not itself a regulator of the pipelines in a capacity independent from the agencies that it advises. There are no DOL regulations that apply directly to the pipelines.

Therefore, while an RSA will be necessary to cover the work of DOL in its direct advice to SPO on the pipeline renewals, that work appears to fall outside the scope of the November 26 budgeting request. Julie informs me that a separate request will be forthcoming that focuses on the legal advisor role that DOL will play in the ongoing SPO renewal work. PAR

CC: jmurrell@jpo.doi.gov; tbraden@jpo.doi.gov

DEPARTMENT OF FISH AND GAME REPORT

Oliktok Pipeline ROW Lease
ADL 411731

B-15

MEMORANDUM
Department of Fish and Game

State of Alaska

To: John Kerrigan
State Pipeline Coordinator
Department of Natural Resources

Date: April 20, 2002

File No:

Telephone Number: 459-7279

FAX Number: 456-3091

From: Alvin G. Ott, Regional Supervisor
Habitat and Restoration Division
Department of Fish and Game

Subject: Oliktok Pipeline
Renewal of North
Slope Pipeline AS
38.35 Right-of-Way
Lease

Oliktok Pipeline Right-of-Way Lease (ADL 411731)

The Alaska Department of Fish and Game (ADF&G) has reviewed the right-of-way lease for the Oliktok Pipeline and the application submitted by Oliktok Pipeline Company (OPC) requesting renewal of the right-of-way lease. In summary, the ADF&G supports renewal of the right-of-way lease to OPC. Although we have not recently inspected the pipeline, we have conducted fish and water quality sampling in Mine Site B and have visually inspected stream crossings along the Oliktok Pipeline where it is located next to the Spine Road. We are not aware of any significant adverse impacts from the pipeline or the related facilities to fish and wildlife resources or their habitats.

The Oliktok Pipeline potentially affected fish and wildlife and their habitats. Mitigation for the free movement of caribou was provided by constructing the pipeline with a minimum pipe to ground clearance of five feet. Fish Habitat Permits were not issued for the culvert batteries placed in the Spine Road crossings of East Creek and the Sakonowyak River. At the time the Spine Road was built, information on fish use was lacking and the departments field program and permitting were still being developed. The Spine Road was constructed prior to the building of the Oliktok Pipeline.

In fall 1988, field inspections were made at all known, or suspected, fish stream crossings in the North Slope Oilfields (Ott 1989). Remedial work, as needed, for each individual crossing was identified. Rehabilitation work was recommended for the Spine Road crossing of East Creek and the Sakonowyak River. Minor work was needed at the Oliktok Pipeline crossings of Pebble and Smith creeks. At the East Creek crossing, the need for continued monitoring and maintenance was recommended and this crossing was identified as a high priority for a long term fix (i.e., removal of culvert battery and replacement with a bridge).

We continue to work with PHILLIPS Alaska Inc. (PAI) on some issues related to the Oliktok Pipeline System including:

- (1) Kuparuk Mine Site B - This material site probably provided some of the gravel for the Spine Road. The site has been rehabilitated in accordance with an approved plan. Fish and water quality monitoring of

Mine Site B continues. Arctic grayling were stocked in Mine Site B in 1989 and 1992. The Arctic grayling population in Kuparuk Mine Site B is self-sustaining and stable. East Creek that flows through the mine site is used by both anadromous (broad whitefish, Dolly Varden, least cisco) and fresh water resident fish species (round whitefish, ninespine stickleback, Arctic grayling).

- (2) West and East Forks of Central Creek, East Creek, Sakonowak River, and Leach Creek - Maintenance of the culverted crossings is an ongoing activity that requires cleanout of snow/ice in the spring before breakup to accommodate spring breakup flows. The ADF&G plans to inspect each of these crossings during the ice-free season in summer 2002.
- (3) Pebble and Smith Creeks - Maintenance of the bridged workpad crossings is an ongoing activity that requires cleanout of snow/ice in the spring before breakup to accommodate spring breakup flows. The ADF&G plans to inspect each of these crossings during the ice-free season in summer 2002.

If there are any questions regarding our comments on the Oliktok Pipeline right-of-way renewal, please contact either Mr. Morris or me at 907-459-7289.

Enclosure: Applicable ADF&G Fish Habitat Permits for the Oliktok Pipeline System

Citation:

Ott, A.G. 1989. North Slope Oil and Gas Development Cross Drainage Report. Alaska Department of Fish and Game, Habitat and Restoration Division. 72 pp.

cc: John T. Barrett, OPC, Anchorage

ecc: w/o enclosure
 Patrick Bobo, JPO, Anchorage
 Ed Flanagan, ADL, Anchorage
 Jeff Mach, ADEC, Juneau
 Julie Murrell, JPO, Anchorage
 Philip Reeves, AG, Anchorage
 Jonne Slemons, ADF&G, Anchorage
 Nan Thompson, RC, Anchorage

Tony Braden, JPO, Anchorage
 Dawn-Bishop-Kleweno, RC, Anchorage
 Bill Morris, ADF&G, Fairbanks
 Kelly Nicoletto, DPS, Anchorage
 Dick Shideler, ADF&G, Fairbanks
 Neil Slotnick, ADR, Anchorage
 Jack Winters, ADF&G, Fairbanks

AGO/ago

Updated April 16, 2002 - Oliktok Pipeline Permit List					
Permit Number	Amendment Number	Date Issued	Waterbody	Fish Species	Project Description
FG84-III-0071		9/7/1984	East Creek	AG, BWF,	Removal of Outwash
			Spine Road Crossing	DV, LCI,	Gravels
				NSB, RWF	
FG84-III-0045		6/28/1984	Sakonowak River	AG, BWF,	Construction of a Fishway
			Spine Road Crossing	NSB	Through Outwash Gravels

FG86-III-0241		8/22/1986	East Creek	AG, BWF,	Repair of Three Culverts
			Spine Road Crossing	DV, LCI,	
				NSB, RWF	
FG89-III-0098		4/28/1989	East Creek, Mine Site B	AG, BWF,	Rehabilitation of Mine
				DV, LCI,	Site B in East Creek
				NSB, RWF	
FG90-III-0008		2/21/1990	East Creek, Mine Site B	AG, BWF,	Water Use, Maximum
FG90-III-0008	1	8/3/1993		DV, LCI,	Use in Summer is Limited
FG90-III-0008	2	7/8/1996		NSB, RWF	to 60,000 Gallons/Day,
FG90-III-0008	3	7/13/1997			Maximum Winter Use
					(October 1 to May 31)
					Set at 6.5 Million Gallons
					from the North Cell and
					6.2 Million Gallons From
					the South Cell
FG92-III-0212		11/20/1992	Covers All Fish Bearing		Summer Oil Spill
FG92-III-0212	1	5/16/1997	Waterbodies in North Slope		Containment and
FG92-III-0212	2	4/12/1999	Oilfields		Recovery Training
FG92-III-0212	3	10/3/2000			Activities
FG92-III-0213		11/20/1992	Covers All Fish Bearing		Winter Oil Spill
FG92-III-0213	1	2/9/1995	Waterbodies in North Slope		Containment and
FG92-III-0213	2	12/21/1998	Oilfields		Recovery Training
FG92-III-0213	3	12/10/1999			Activities
FG92-III-0218		11/20/1992	Covers All Fish Bearing		North Slope Oil Spill
FG92-III-0218	1	8/11/1993	Waterbodies in North Slope		Response Pre-Approval
FG92-III-0218	2	1/14/1994	Oilfields		to Initiate Instream Work
FG92-III-0218	3	7/14/1997			
FG92-III-0218	4	4/12/1999			
FG92-III-0218	5	12/10/1999			

FG93-III-0001		1/27/1993	Kuparuk River	ACI, AG,	Winter Snow/Ice Crossing
FG93-III-0001	1	2/2/1993	Oliktok Pipeline System	BB, CN,	for Pipeline Inspection and
FG93-III-0001	2	7/14/1997		BWF, LCI,	Maintenance
				NSB, RWF	
FG97-III-0114		7/14/1997	Pebble Creek	AG, BB,	Winter Snow/Ice Crossing
			Oliktok Pipeline System	CN, NSB	for Pipeline Inspection and
					Maintenance
FG97-III-0115		7/14/1997	Smith Creek	AG, BB	Winter Snow/Ice Crossing
			Oliktok Pipeline System	BWF, NSB	for Pipeline Inspection and
					Maintenance
FG97-III-0116		7/14/1997	Sakonowyak River	AG, BWF,	Winter Snow/Ice Crossing
			Oliktok Pipeline System	NSB	for Pipeline Inspection and
					Maintenance
FG97-III-0122		7/14/1997	Putuligayuk River	AG, BWF,	Winter Snow/Ice Crossing
FG97-III-0122	1	12/20/2000	Oliktok Pipeline System	NSB	for Pipeline Inspection and
					Maintenance
FG97-III-0123		7/14/1997	Leach Creek	AG	Winter Snow/Ice Crossing
			Oliktok Pipeline System		for Pipeline Inspection and
					Maintenance
FG97-III-0124		7/14/1997	East Creek	AG, BWF,	Winter Snow/Ice Crossing
			Oliktok Pipeline System	DV, LCI,	for Pipeline Inspection and
				NSB, RWF	Maintenance
FG97-III-0135		7/14/1997	East and West Forks of	NSB	Winter Snow/Ice Crossing
			Central Creek		for Pipeline Inspection and
			Oliktok Pipeline System		Maintenance
FG97-III-0136		7/14/1997	Smith, Pebble, and Leach		Snow/Ice Removal at
			Creeks at Kuparuk Workpad		Bridges and Culvert
			Crossings and East and West		Batteries
			Forks of Central Creek at		
			Bypass Road Crossing		

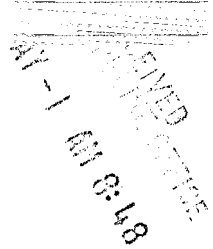
FG97-III-0137		7/14/1997	East Creek and Sakonowyak		Snow/Ice Removal at	
			River, Spine Road Culvert		Culvert Battery	
			Batteries			
FG97-III-0174		6/2/1997	East Creek		Repair of Culvert Inlets	
			Spine Road Crossing			
FG99-III-0121		6/25/1999	East Creek		Replacement of Three	
			Spine Road Crossing		Culverts, One Culvert to	
					be Salvaged and	
					Reinstalled	
ACI = Arctic Cisco		AG = Arctic Grayling				
BB = Burbot		BWF = Broad Whitefish				
CN = Slimy Sculpin		DV = Dolly Varden				
LCI = Least Cisco		NSB = Ninespine Stickleback				

DEPARTMENT OF ENVIRONMENTAL CONSERVATION REPORT

MEMORANDUM

State of Alaska

Department of Environmental Conservation



TO: John Kerrigan
State Pipeline Coordinator
Department of Natural Resources

DATE: April 26, 2002

FILE NO:

PHONE NO: 465-5290

FROM: Jeff Mach
and Gas Coordinator
Department of Environmental Conservation

SUBJECT: Compliance of North Slope Pipelines Oil
with DEC Requirements

The State Pipeline Coordinator's Office requested the Department of Environmental Conservation (DEC) to report on five North Slope pipeline lessees' compliance with DEC's laws and regulations, from 1999 to the present. The lessees and pipelines are:

- Milne Point Pipeline LLC, lessee for the Milne Point Pipeline;
- Kuparuk Transportation Company, lessee for the Kuparuk and Kuparuk Extension Pipelines;
- Endicott Pipeline Company, lessee for the Endicott Pipeline; and
- Oliktok Pipeline Company, lessee for the Oliktok Pipeline.

Compliance status was researched through queries to DEC's computerized enforcement database, the Complaint Automated Tracking System (CATS), and inquiries to appropriate Department program managers and staff. Only those instances of noncompliance involving the pipeline operations, and not instances involving associated production or support facilities, were considered for this report. Because DEC typically deals with the pipeline operators, BP Exploration (Alaska), Phillips Alaska, and, formerly, ARCO Alaska, rather than the pipeline lessee entities named above, our research included potential violations under both the lessees' and the operators' names.

No instances of noncompliance with DEC laws or regulations involving the operation of the five subject North Slope pipelines from 1999 to the present were identified.

Please contact me if you or a member of your staff have any questions or need further information concerning this matter.

cc: Tony Braden, DNR/JPO
Julie Murrell, DNR/JPO

REGULATORY COMMISSION OF ALASKA REPORT

STATE OF ALASKA

DEPARTMENT OF COMMUNITY AND
ECONOMIC DEVELOPMENT
REGULATORY COMMISSION OF ALASKA

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April 18, 2002

State Pipeline Coordinator's Office

Attn: John Kerrigan

411 W. 4th Ave.

Anchorage AK 99501-2343

SUBJECT: Renewal on North Slope Pipeline AS 38.35 Right-of-Way

Dear Sir.

In your Letter No. 01-087-MC dated November 26, 2001, you requested budget information from the RCA to prepare a report for the SPOC's Renewal on North Slope Pipeline AS 38.35 Right-of-way Leases. The Regulatory Commission of Alaska (RCA) decided to omit the budgeting process, as the report preparation would consume only a minimum amount of time. This memorandum is our report

The SPCO requested the RCA to provide information relative to lessee compliance with State laws. The lessees include: Kuparuk (ADL 402294), Kuparuk extension (ADL 409027), Oliktok (ADL 411731), Milne (ADL 410221), and Endicott (ADL 410562), whom will be referred to herein as the NS Carriers. The requested information for each of the 5 NS Carriers includes:

1. Provide a report for each of the subject pipelines to the SPCO regarding the lessees compliance with all laws and regulations applicable to the above pipelines for which your agency is responsible.
2. Each report should provide information about agency action involving the lessee, which resulted from instances of noncompliance with laws and regulations. The report should include specific information concerning civil and criminal proceedings; Notices of Violation; compliance orders; and instances of non-compliance that did not result in formal action. Each report should provide information about ongoing investigations which may result in criminal or civil proceedings, Notices of Violation, or compliance orders if that information will not compromise an investigation. Each report should include any other information the agency believes that the DNR should include in the commissioner's renewal determination.
3. For each instance of non-compliance, the report for each pipeline should provide a statement regarding self-detection and reporting by lessee, and whether the noncompliance has been corrected or is the subject of an approved corrective action plan.
4. The report should consider available records and data from January 1, 1999 through the present.

The NS Carriers that the RCA is to address for the SPCO's review of the ROW lease renewals are shown below. This list identifies the Certificate of Public Convenience and Necessity (CPCN) on file with the RCA, the most recent RCA order granting the CPCN, the ADL lease number, and the lessee.

CPCN No.	CPCN Order	ADL No.	Lessee Name
307	P-82-5 (5)	402294	Kuparuk Trans. Co.
"	"	409027	Kuparuk Trans. Co. (extension)
334	P-95-5 (2)	411731	Oliktok Pipeline Company
329	P-84-1 (3)	410221	Milne Point Pipeline, LLC (oil)"
638	P-01-04 (4)	410221	Milne Point Pipeline, LLC
392	P-87-3 (4)	410562	Endicott Pipeline Company

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The RCA regulates pipelines and pipeline carriers under AS 42.06, the Pipeline Act. Authority is granted to the RCA in Article 1 of this statute. In general, the RCA is responsible for making or requiring just, fair, and reasonable rates, classifications, rules, regulations, practices, services, and facilities for pipeline carriers. The RCA has the authority to investigate, hold hearings, prescribe systems of accounts, require the filing of reports, adopt regulations, and take other lawful actions necessary to accomplish the stated purposes of AS 42.06.

The authorities of the RCA are implemented in two ways:

- The state legislature provided Articles 2, 3, 4, 5, 6, and 7 of AS 42.06 as the minimum requirements for carrying out the statutory duties of the RCA.

As authorized under AS 42.06.140 and other statutory provisions, the Commission has adopted regulations to carry out its statutory duties. The Commission's regulations pertaining to the NS Carriers are set out in the Alaska Administrative Code, Title 3, Part 7, Chapter 47 (Regulatory Cost Charge) and Chapter 48 (Practice and Procedure).

Staff has reviewed the files of the NS Carriers for compliance with the statutes and regulations applicable under the authority of the RCA, for the period January 1, 1999 to the present. There are no new or ongoing proceedings, other than rate proceedings, involving the NS Carriers. The RCA has not issued any Notice of Violation to any of the NS Carriers. The RCA has not investigated, either upon complaint or its own motion, the rates, rules, regulations, services, or facilities of any of the NS Carriers.

In addition, Staff reviewed the terms and conditions that were attached to the Commission Order granting the CPCN for each NS Carrier. Two of the NS Carriers (Milne Point Pipeline, LLC (products) and Endicott Pipeline Company) had no conditions on the granting of their CPCN. The conditions placed on the remaining NS Carriers are as follows:

Kuparuk Transportation Company, CPCN No. 307

The pipeline must be constructed in accordance with all applicable federal/state/local laws.

If a spill occurs, Carrier must notify the NS Borough within 24 hours.

If a spill occurs, Carrier must file with the RCA a copy of the final report to the ADEC under 18 AAC 75. 100.

Oliktok Pipeline Company, CPCN No. 334

The Carrier must notify the RCA of any change in ownership of the pipeline.

If a spill occurs, Carrier must notify the NS Borough within 24 hours.

Milne Point Pipeline, LLC, CPCN No. 329 (oil pipeline)

The pipeline must be constructed in accordance with all applicable federal/state/local laws.

If a spill occurs, Carrier must file with the RCA a copy of the final report to the ADEC under 18 AAC 75.100.

The RCA has not received any reports of a spill from the above Kuparuk or Milne Point pipeline carriers, nor is it aware of any spill on these pipelines. The RCA is not aware of violation of any of the remaining conditions noted above.

In general, we find that there are no significant areas of non-compliance. In areas of minor non-compliance, we feel that the NS Carriers have acted in good faith, with adequate self-detection, and that the minor non-compliance issues can or will be readily corrected.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Nanette Thompson". The signature is fluid and cursive, with a long horizontal stroke at the end.

G. Nanette Thompson
Chair,
Regulatory Commission of Alaska

CC: Company Files: Kuparuk Pipeline Oliktok Pipeline Milne Point Pipeline Endicott Pipeline

Jim Struempf